

Defense Medical Logistics

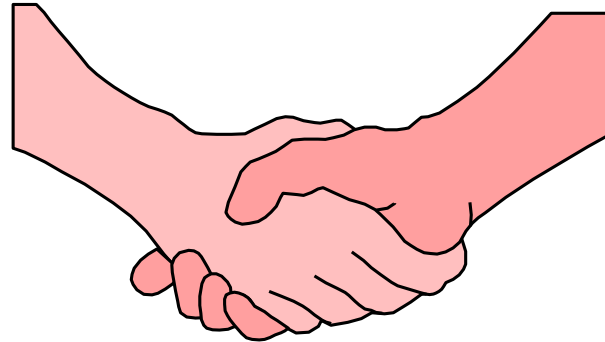
Standard Support (DMLSS)

Adoption of Commercial EDI For Logistics Business Transactions IPT

Current MEDLOG EDI Initiatives 20 January 1999

**COL John Clarke, MS, USA
DMLSS Program Manager**

Briefing Topics



- **DMLSS - DoD's award winning Electronic Business / Electronic Commerce (EB/EC) Program**
- ▢ **The successful DoD EB/EC and DMLSS partnership**
- ▢ **DMLSS a great investment in DoD EB/EC funding**

***DMLSS Wins
1997 Government Information
Technology Services Award
For
Electronic Government***

6 October 1997

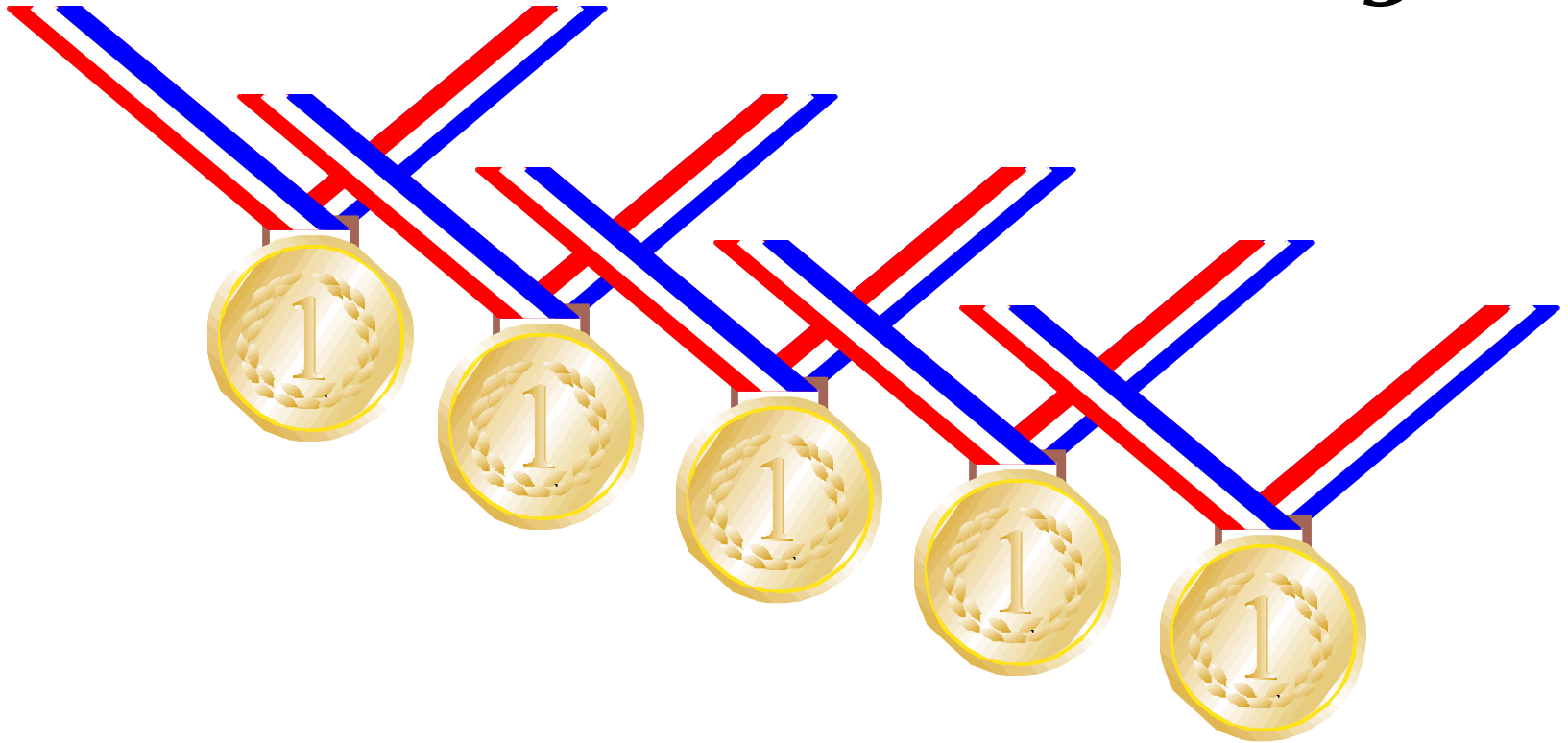
- **Only Eight Federal Govt Programs Recognized**
- **Only DoD Program Receiving 1997 GITS Award**
- **One of two awards in 1997 for innovative EC/EDI**



**Recognized by
Government
Information Technology
Services Board for
leadership and
achievements in
promoting electronic
government**

An award based on measurable benefits

DMLSS Prime Vendor EB/EC Recognition



- **1997 Government Information Technology Services Award For Electronic Government**
- **1997 Government Technology Leadership Award**
- **1998 Federal Computer Week's Federal 100 Award**
- **1998 ComputerWorld Smithsonian Award For Innovative Technology**
- **1998 Vice President Gore's National Performance Review "Hammer Award"**

Awards Won By Defense Supply Center Philadelphia (DSCP)



HAMMER AWARD

Vice President Al
Gore
1995, 1996, 1997

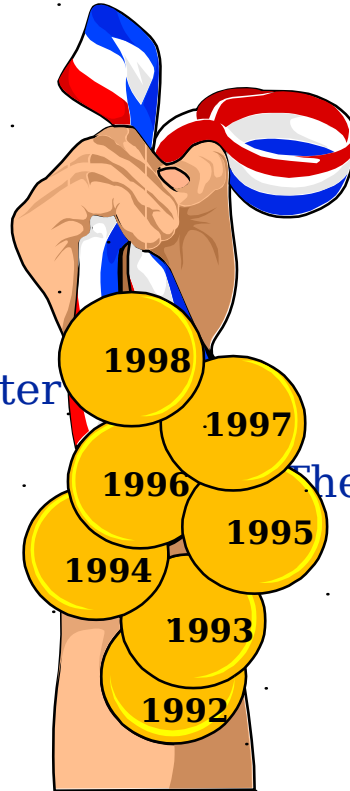
COMMANDER'S AWARD

Walter Reed Army Medical Center
for Civilian Service
1993

GOLD MEDAL

Federal Executive Board

Excellence in Government Awards
1993



EDI BENCHMARKING SYNDICATE 1992

Fortune 500 Companies
Sole Government Participant
1992, 1993, 1994

INNOVATIONS IN AMERICAN GOVERNMENT

Ford Foundation/
Harvard University
1995

PUBLIC SERVICE EXCELLENCE AWARD

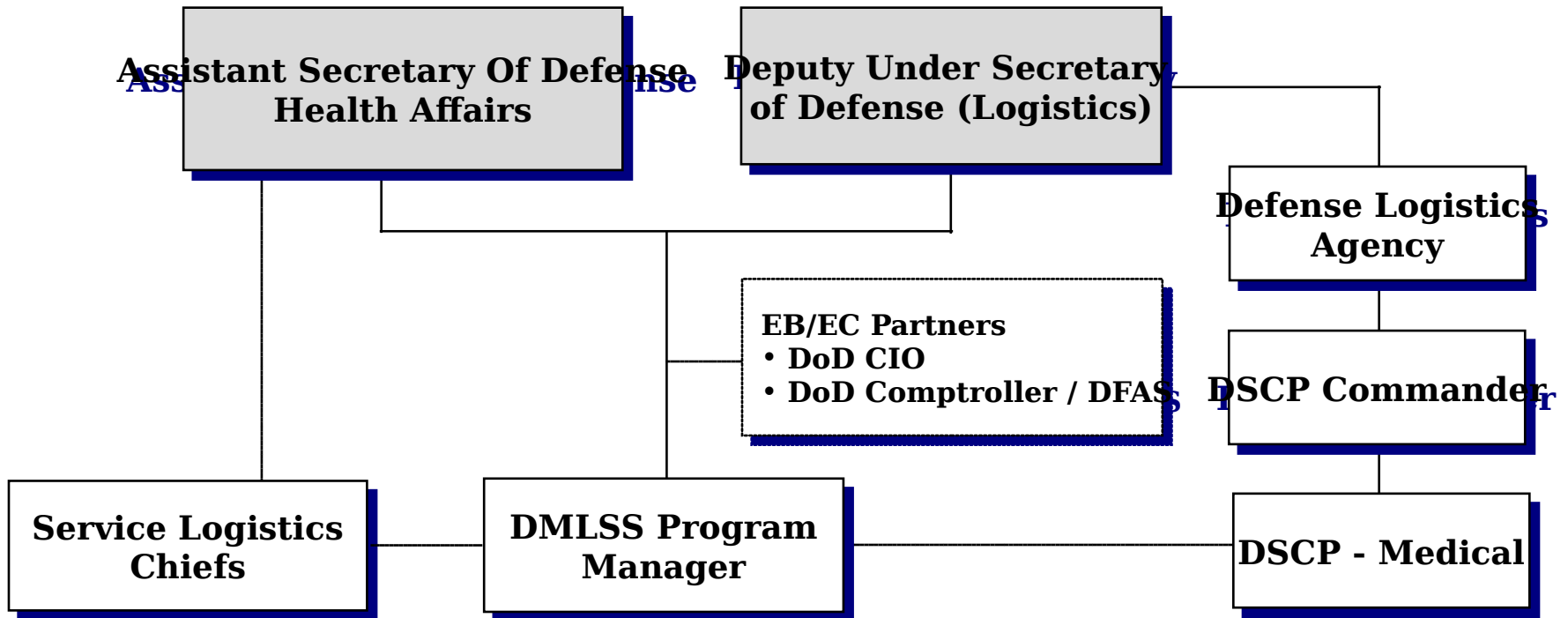
The Public Employees Roundtable
1995

SUPERIOR MANAGEMENT AWARD

(Electronic Commerce)

Secretary of Defense

DMLSS Organization - The Key to Successful Business Process Reengineering



Former Secretary of Defense

William J. Perry DMLSS - Best Example of Successful Outsourcing in DoD

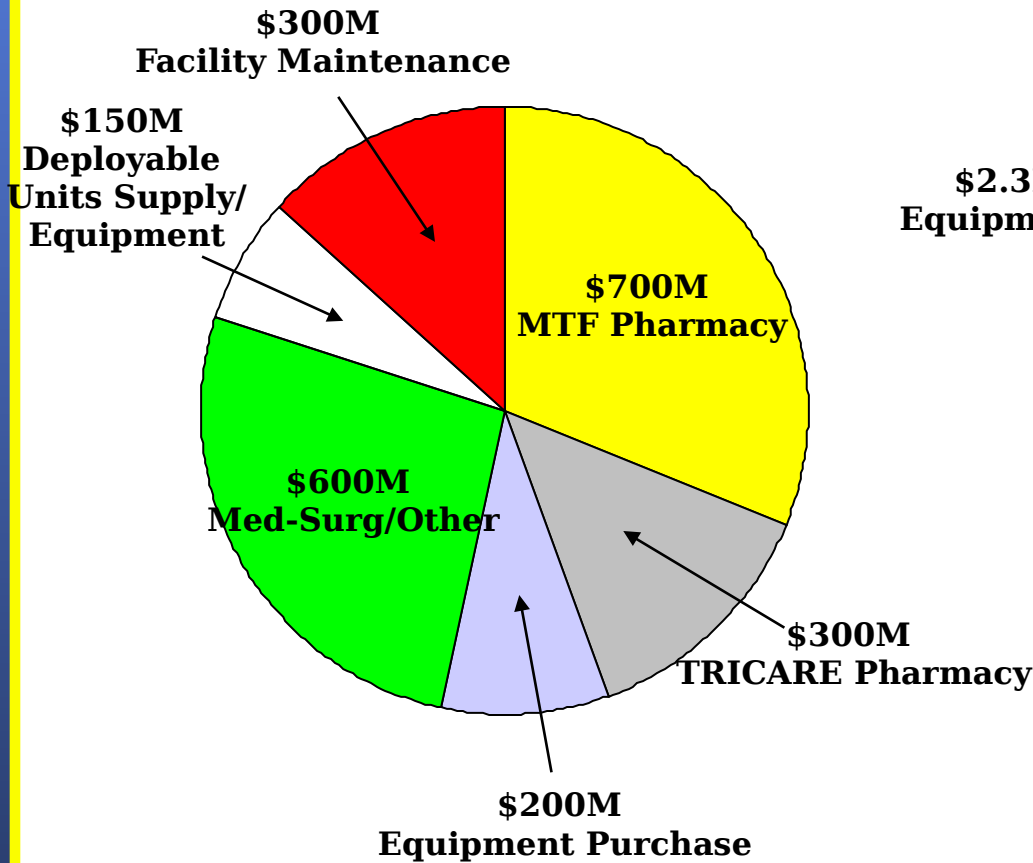
Outsourcing: The purpose of the Department's outsourcing initiative is to sustain or improve readiness, generate savings for modernization, and improve the quality and efficiency of support to our men and women in uniform. It involves the transfer of a function previously performed in a government facility to an outside, private sector provider. Doing so offers us significant opportunities to generate savings and perform tasks more efficiently. ***For instance, a system in which medical suppliers deliver products directly to their DoD customers, rather than to a warehouse for storage and subsequent distribution, has cut delivery time by 75-90 percent and cut costs to taxpayers by 25 to 35 percent.*** There are, of course, limits. The Department will not pursue outsourcing activities that compromise our core warfighting missions.

A quote from Secretary of Defense William J. Perry's report to Vice President Al Gore on the status of reinvention efforts - Basis for the Vice President's September 1996 report to President Bill Clinton on the status of the National Performance Review.

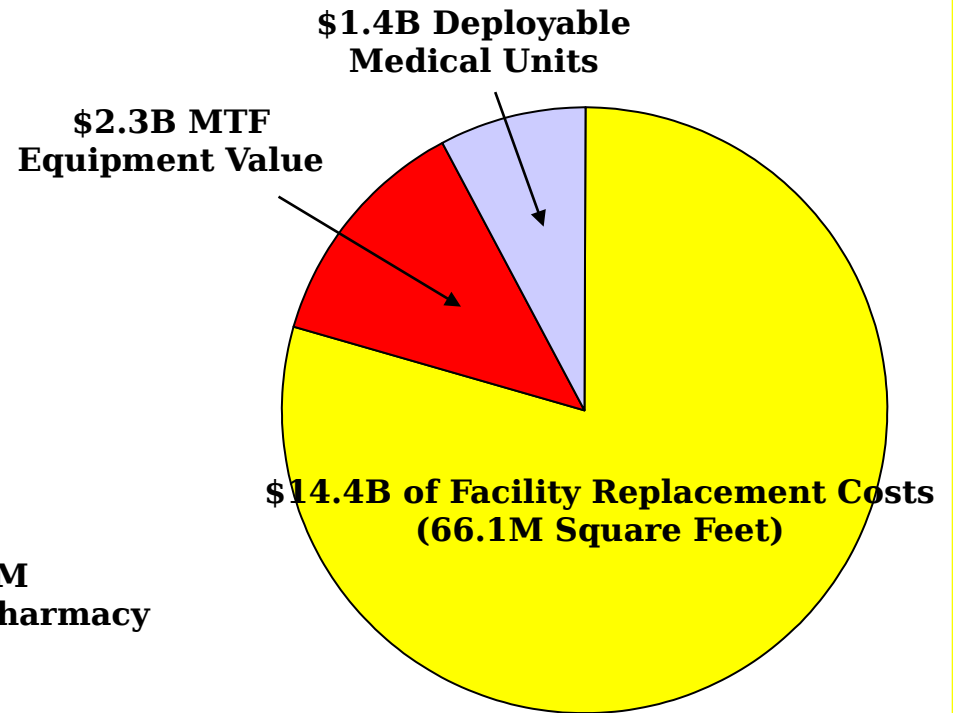
Vice President's Report: The Best Kept Secrets in Government

Medical Logistics Business Area Is Big Business

**Annual Purchases
of \$2.25B**



**Maintaining an Investment
of \$18.1B**



Defense Medical Logistics Standard Support (DMLSS) Business Area

Dramatically improve the responsiveness of medical logistics support

- ***Implement business innovations that significantly increase effectiveness of logistics support while reducing costs***
- ***Develop a high-quality, integrated medical logistics***

***Material* *Facilities* *Equipment & Tech Mgmt* *Group Purchasing at**

DMLSS - Reengineering A Great Return on Investment F91 Through FY98

BENEFITS

- \$429M Wholesale Reduction in Inventory
 - \$130M MTF Inventory Reduction in
 - \$389M Reduction in Cost of Drugs
- Plus
- Delivery in 24 Hours
 - 95% Availability

Benefit to Cost Ratio
5.4:1

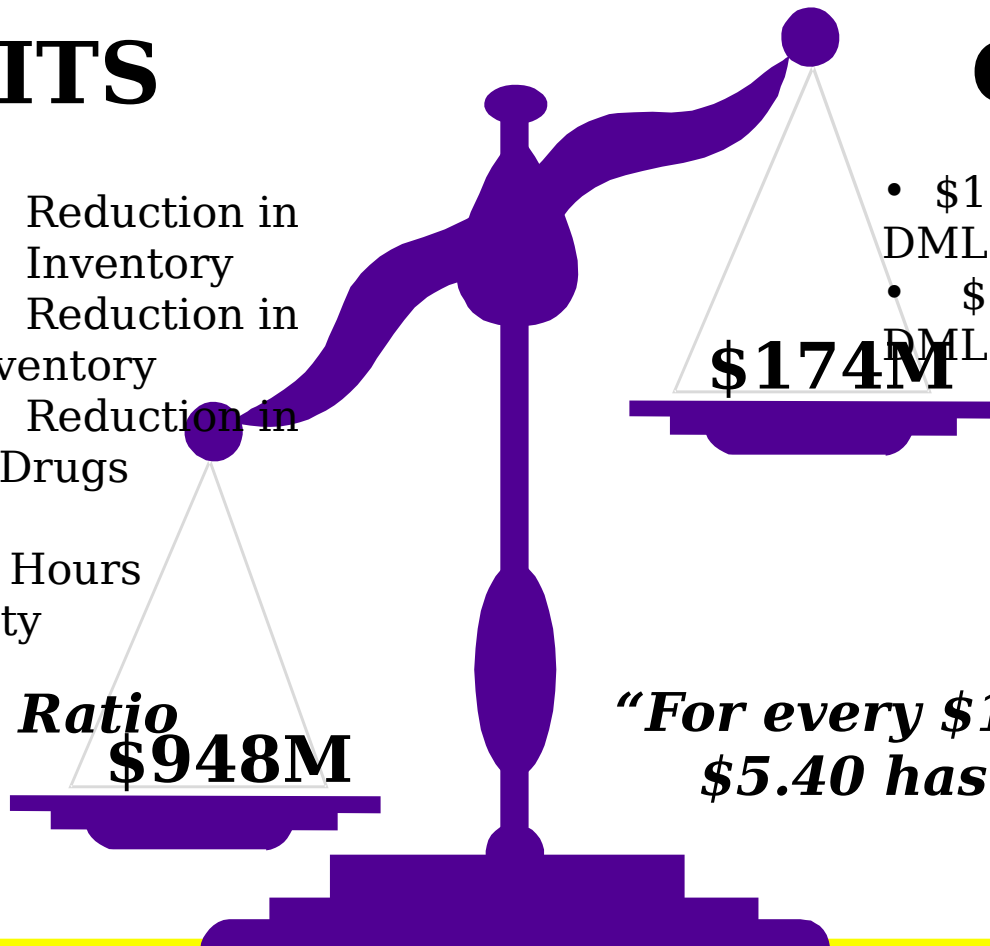
\$948M

COSTS

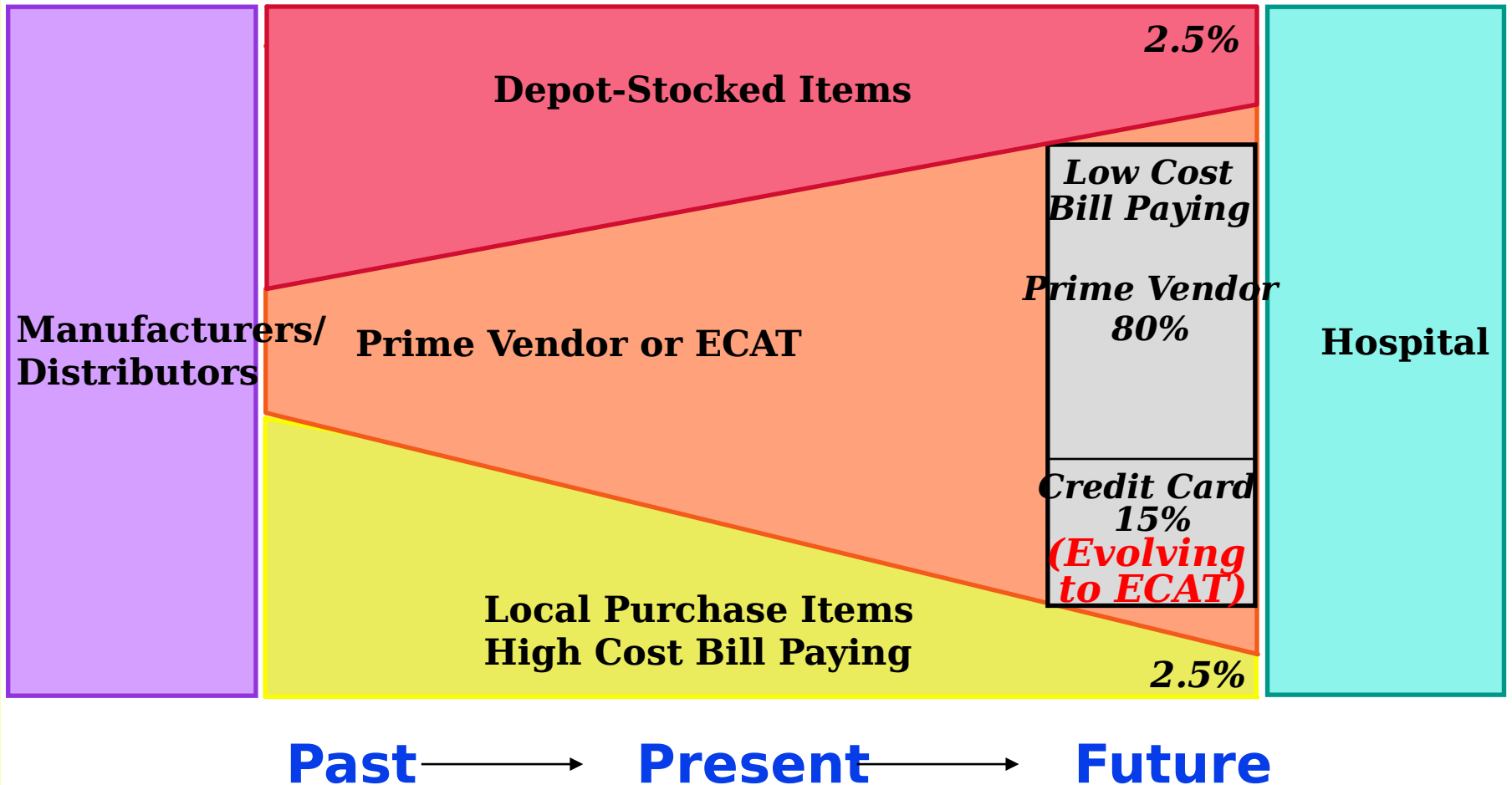
- \$138M DMLSS Retail
- \$36M DMLSS Wholesale

\$174M

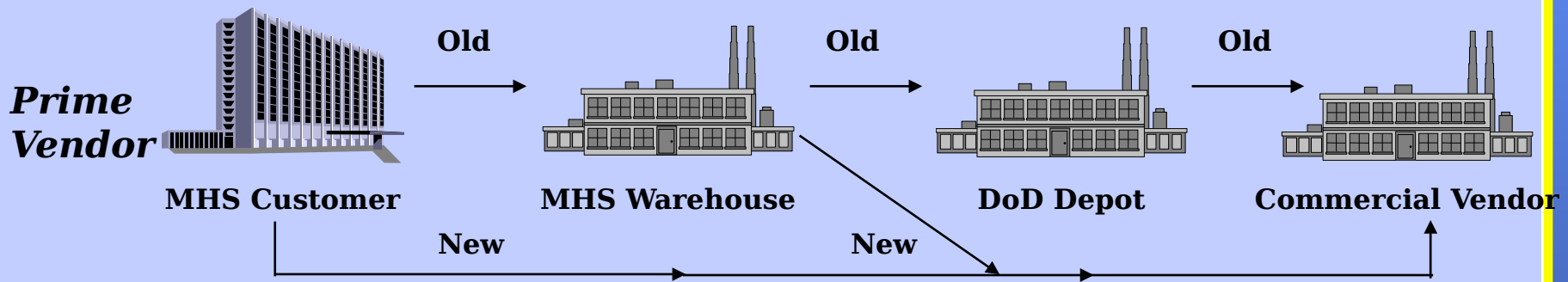
“For every \$1 DMLSS needed \$5.40 has been realized”



Reengineering Materiel Procurement In Medical Logistics



DMLSS Reengineering Projects

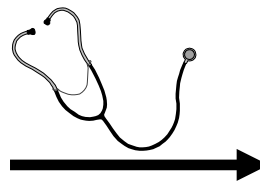


Streamlined Financial Interface NOW: 6 systems x 40 transactions x 35 data elements = **8400 Variations**
 PROPOSED: 1 system x 4 transactions x 16 data elements = **64 Variations**
 ... a 98% Drop in Complexity With No Loss of Function!

ECAT **Ordering Through DLA Electronic Catalogs**



Universal Product Number **1 Item = 100 Numbers**



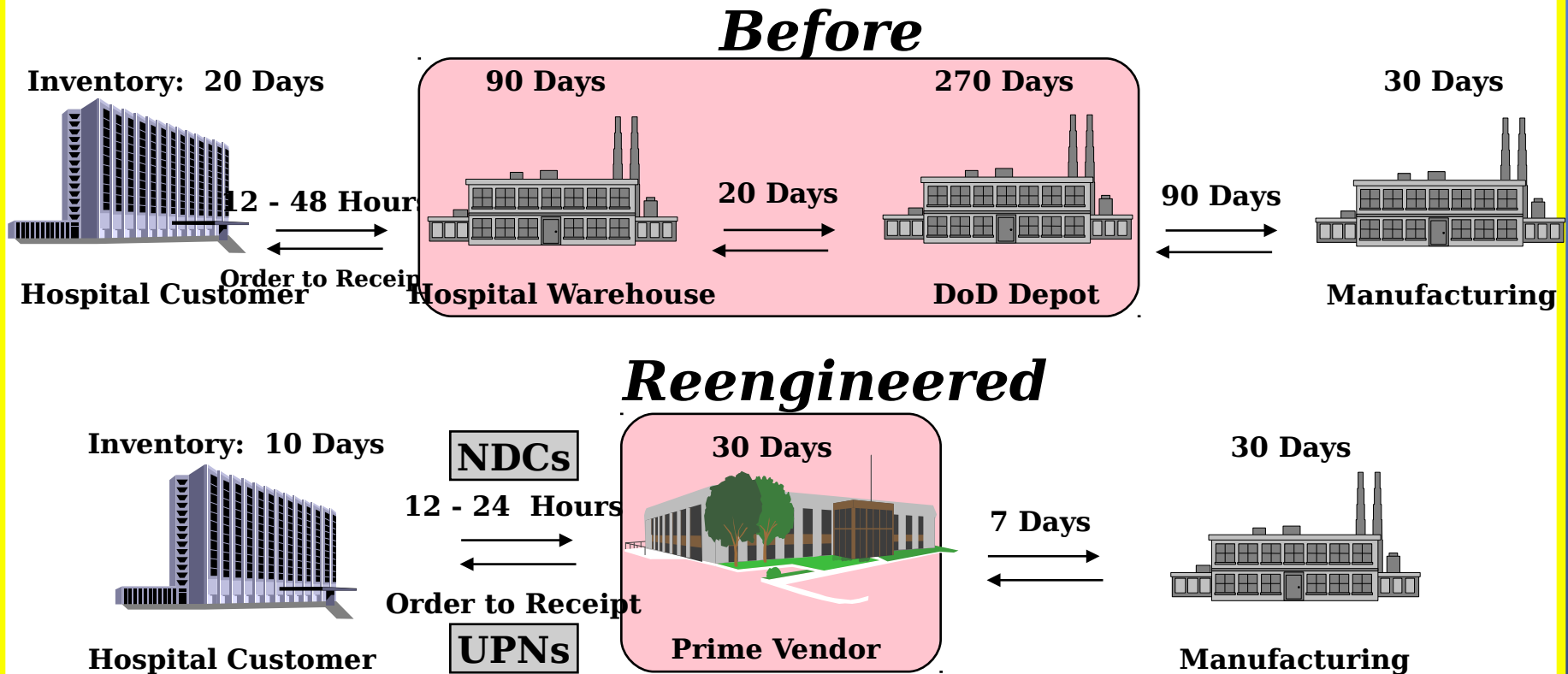
1 Item = 1



UPN

***Communicating With Prime
Vendor
Trading Partners In Peace
and War***

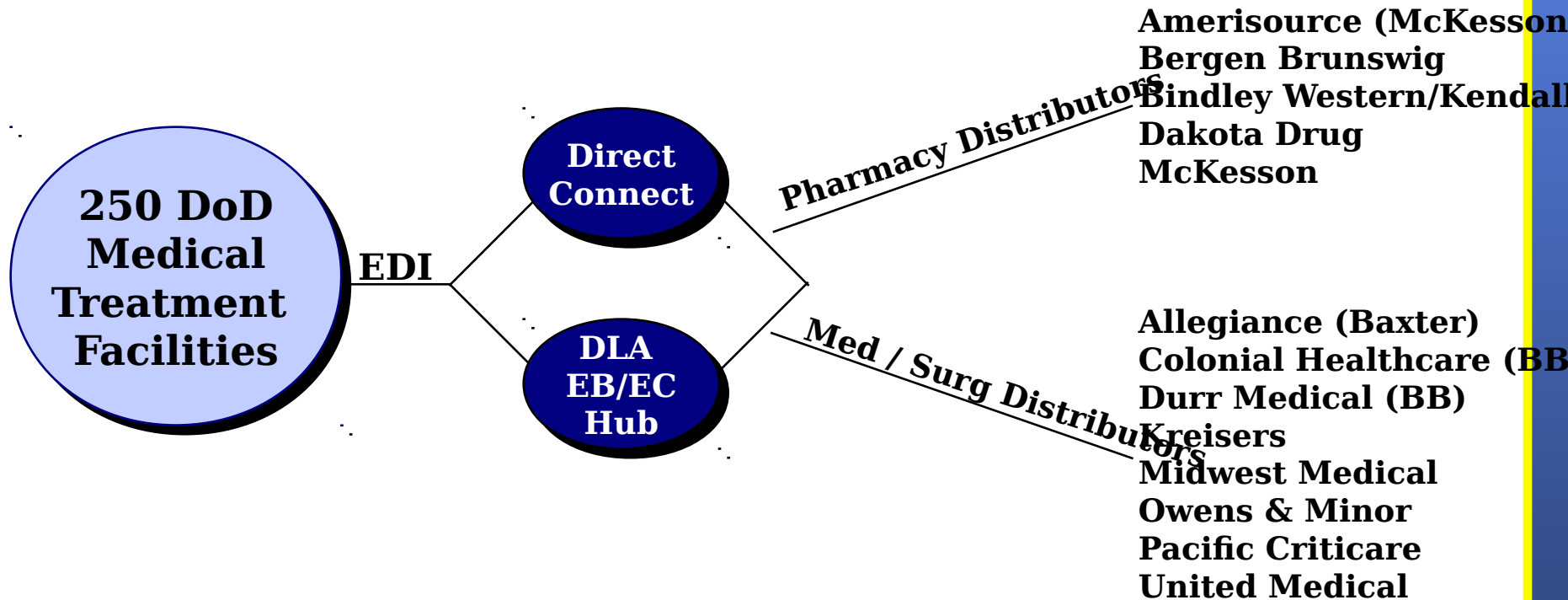
Prime Vendor Business Practice - The Highest Payback Area For DMLSS



Order to Receipt Time: 20 Days to 1 Day
Days of DoD Inventory: 380 Days to 10 Days
Cost of Materiel: 15% Reduction

EDI Key To Government/Industry Partnership

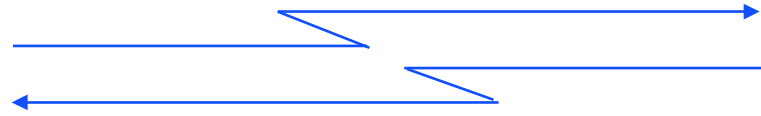
(One Hour Order To Confirmation)



Prime Vendor Order And Bill Payment Process



850 Orders



855 Confirmations



Summary Receipt

Service's Finance Systems

810 Invoice

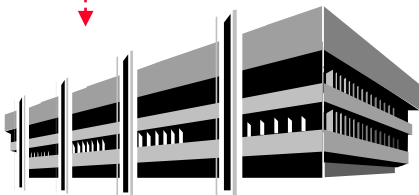
Prime Vendors

Electronic Funds Transfer

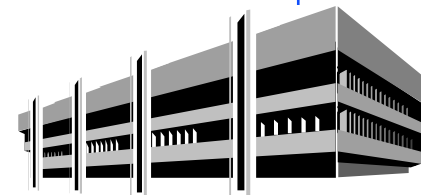
MILSBILLS

SAMMS

MILSTRIP
AOE/YRZ



Defense Supply Center Philadelphia (DSCP)

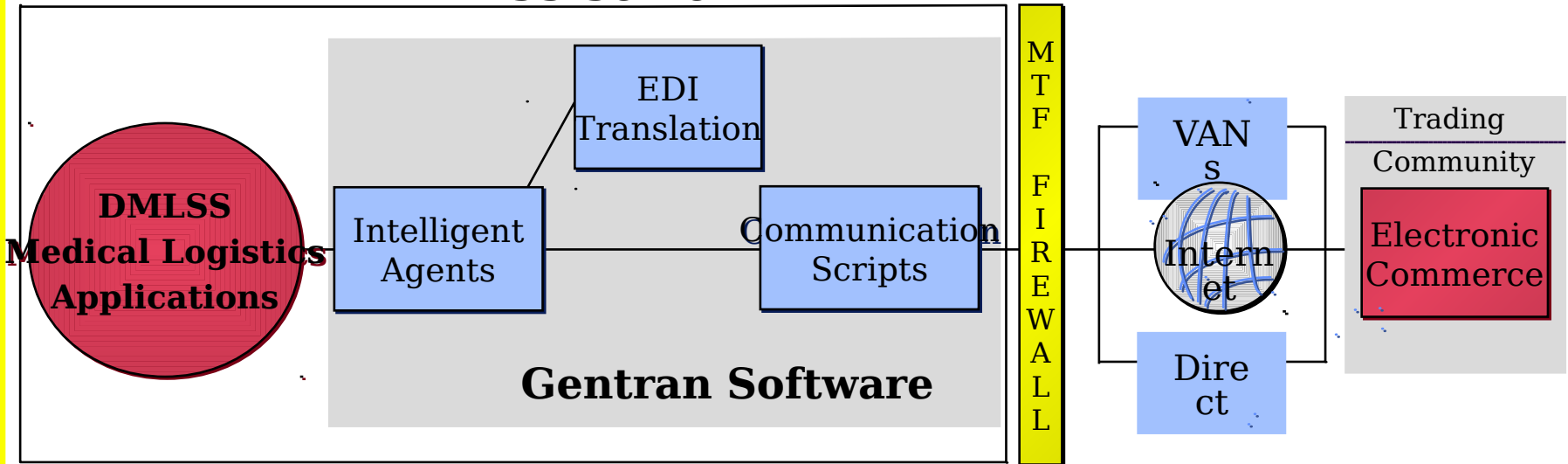


Defense Finance and Accounting Service (DFAS)

DMLSS EC/EDI Technical Solution

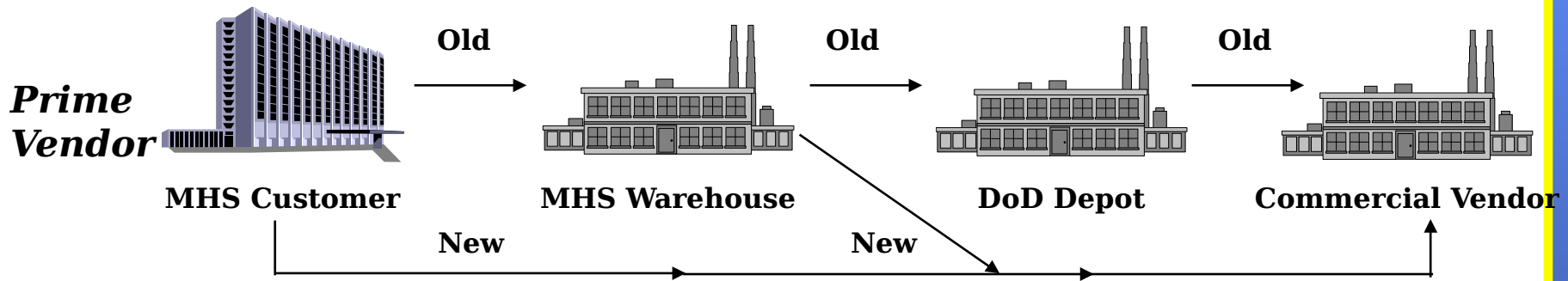
Sterling's Gentran software

DMLSS Server



Supports both PV and DFAS EC/EDI

DMLSS Reengineering Projects



Streamlined Financial Interface
 NOW: 6 systems x 40 transactions x 35 data elements = **8400 Variations**
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ECAT

Ordering Through DLA Electronic Catalogs



Universal Product Number
1 Item = 100 Numbers



1 Item = 1



UPN

***Paying The Bill:
DMLSS - DFAS Partnership***



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

SEP 6 1995



MEMORANDUM FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)

SUBJECT: Streamlining and Improving Medical Logistics Interfaces for Financial Management

Your memorandum of June 9, 1995, forwarded an issue paper on streamlining and improving standard interfaces between the Defense Medical Logistics Standard Support (DMLSS) system and the Defense Finance and Accounting Service (DFAS). To accomplish this objective, your issue paper recommended that a working group be established.

The working group would be chartered to improve electronic communications and eliminate redundancy between the automated systems used by the DMLSS and the DFAS. The product of the working group would include: (1) an identification of the minimum number of inter-system transactions needed to pay vendors and manage DoD accounts; (2) a reduction in the number of data elements exchanged between the two systems; and (3) the creation of a common format for computer-to-computer exchange of information.

I endorse your proposal to create a working group. Because the focus of the working group's efforts is related to operational (vice policy) issues, I have requested the Director of DFAS advise you of his nominee(s) to the working group.

My staff point of contact for this matter is Mr. Tom Summers. He may be reached at (703) 697-0586.



John J. Hamre



DFAS-HQ/ASP

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

SEP 17 1998

MEMORANDUM FOR DIRECTORS, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Defense Medical Logistics Standard Support (DMLSS)
Business Practice Changes

During a recent in-process review, the Program Manager for the DMLSS project advised of changes in business practices that will impact current systems and procedures of the Defense Finance and Accounting Service (DFAS). These practices were designed to support the use of the ongoing credit card process, specifically, the Prime Vendor process, currently employed in the medical community.

A summary of the business practice changes and their impact on the DFAS operations are included in the attachment. In addition, a change in responsibility for transaction processing is also detailed in the attachment.

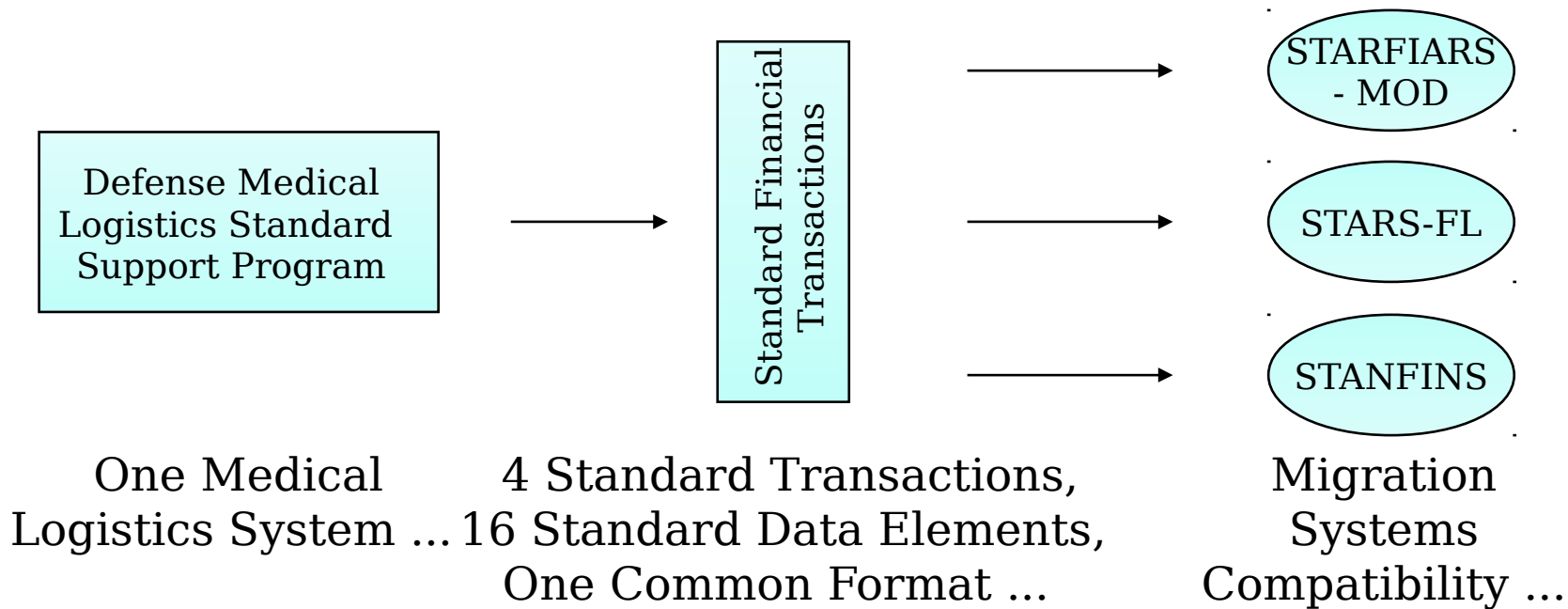
Please ensure that all of your subordinate elements are advised of these changes in business practices as well as of the change in responsibilities. These changes are to become effective with the implementation of the DMLSS process for the provision of logistics support to a medical treatment facility.

Any questions you have should be addressed to Mr. Ron Bishop,
DSN 327-0741/1047 or (703) 607-0741/1047.

Edward A. Harris
Director for Accounting

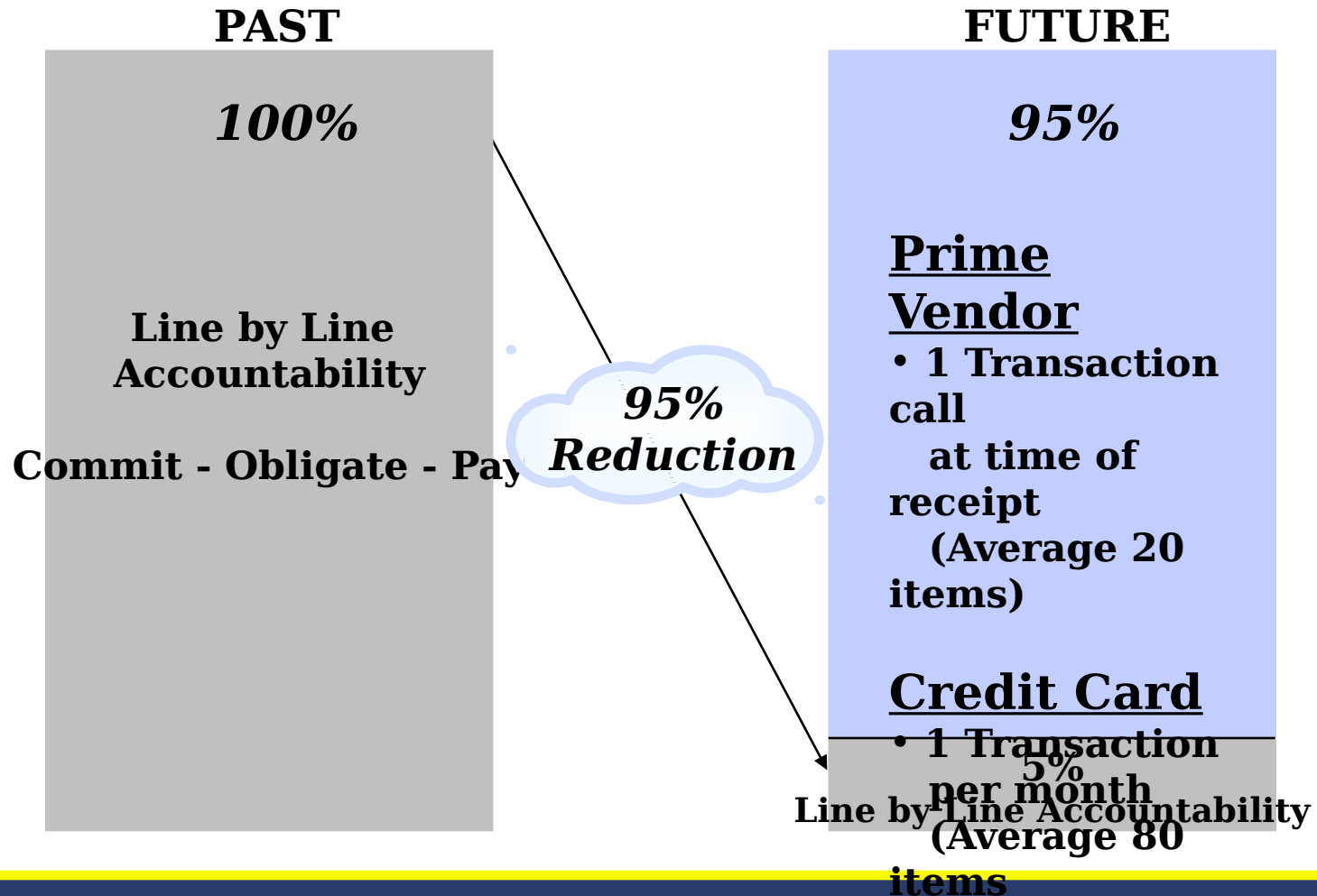
Business Process: DMLSS-DFAS Streamlined Interface

98% Reduction in Complexity With No Loss of Function!



NOW: 6 x 40 x 35 = 8400 Variations
STREAMLINED: 1 x 4 x 16 = 64 Variations

Sponsored DMLSS Project Proposed Policy - Transaction Record Keeping



DMLSS Partnering with DFAS

Characteristics of a Streamlined Interface ***Mr. Hamre's 3 Goals***

***Goal 1:
Reduce Number
of Transactions***

***Goal 2:
Reduce Number of
Data Elements***

Medical Logistics Systems

- Supply Information**
- Detailed Financial Transactions**

***Goal 3:
Develop Common
Format***

Finance Systems

- Bill Payor Functions**
- Summary Financial Transactions**
- Accounting**



DMLSS-DFAS Streamlined Interface

USD(L), OUSD(A&T) and DoD COMP - Sponsored Project

GOALS:

- Reduce number and complexity of financial transactions to DFAS
- Develop common format using standard data using ANSI

DMLSS

Gentran:

Standard Data

in

Common

Format

DMLSS
Medical
Treatment
Facilities

ED

I

ANSI X.12
Transactions

861 (Receipt)

821 (Obligation)

812 (Cost
Reallocation)

511

(Commitment)

DAASC
Routing and
Translation

...become
s...

...Financial
Legacy
Systems

UDFs

STARFIARS-MOD

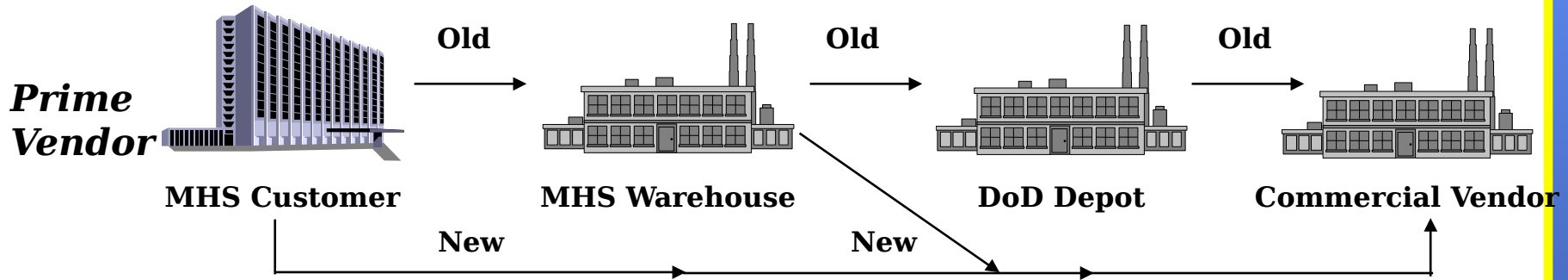
STARS-FL

STANFINS

Air Force

**System
Required
Transactions**

DMLSS Reengineering Projects



Streamlined Financial Interface

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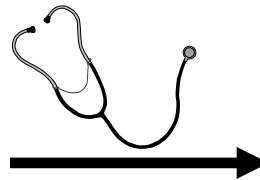
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ECAT

Ordering Through DLA Electronic Catalogs



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1 Item = 100 Numbers



1 Item = 1



UPN

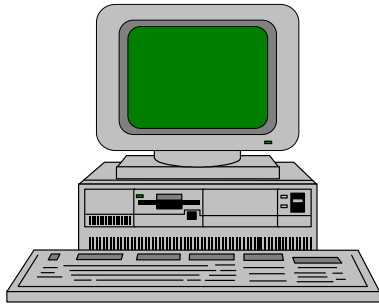
***Defense Supply Center
Philadelphia
and ASD Health Affairs:***

***DLA Electronic Catalog
(ECAT) - DoD/Service
Logistics Systems Machine
to Machine Interface With
Totally Automated Bill
Paying***

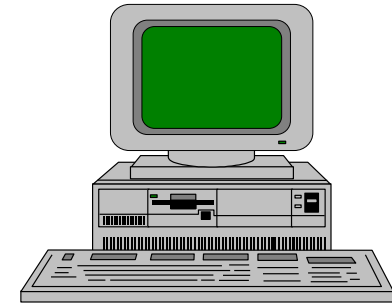
Ordering Through MILS

Machine to Machine Interface - True Electronic Commerce

Service Logistics System



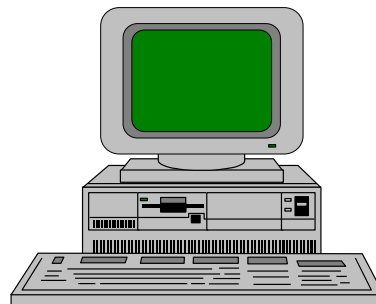
**DLA Supply/
DFAS Wholesale**



Requisition
Status

**Obligation/
Receipt**

DFAS Retail Bill

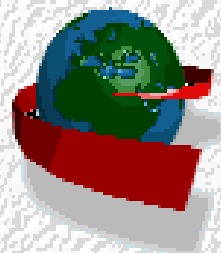


Payment

Ordering Through Web Based Catalogs

DLA E-Mail

[Home](#) [Shop](#) [Stores](#) [Status](#) [Help](#) [Registration](#) [Related Sites](#)



[WARNING](#)

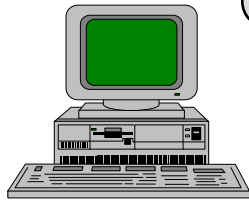
A 3D-rendered interface for the 'E-Mail Directory'. It features a central panel with a person at a computer and the text 'Value Added'. The interface is flanked by two vertical columns of category buttons. The left column includes: Reutilization, Clothing, Medical, Subsistence, Information Technology, Aviation & Space, and Maritime. The right column includes: Combat Vehicles, Automotive & Rail, Machinery & Equipment, Facilities & Construction, Hardware, Comm-Electronics, and Raw/Fabricated Material. Below the central panel, the text 'Shop By: Item or Category' is displayed, with 'Item' and 'Category' in red.

Shop By:
Item
or
Category

Problem #1: The "MILS" World With Web Based Electronic Catalog/Ordering System

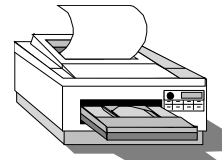
Dual Order Entry - Labor Intensive Manual Process

**Service Logistics
System**

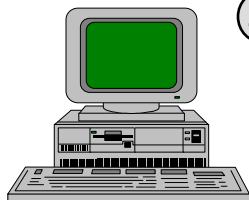


① Create order

② Print order list



**Electronic Catalog/
Ordering System**



④

③

Internet Browser



- Sign onto Web
- Key in order and send electronically
- Sign off

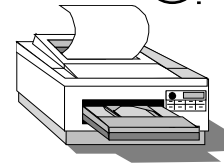
- Receive electronic order
- Send electronic confirmation
- Send summary bill
(All electronic)

Internet Browser



⑤

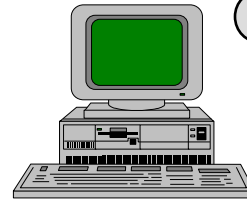
- Sign onto Web
- Receive confirmations
- Sign off



⑥

- Print listings of confirmations/cancellations/price changes

Service Logistics System



⑦

- Log onto Service Legacy System
- Confirm due-ins
- Process exceptions (price changes/cancellations)
- Generate obligation transactions

Problem #2:

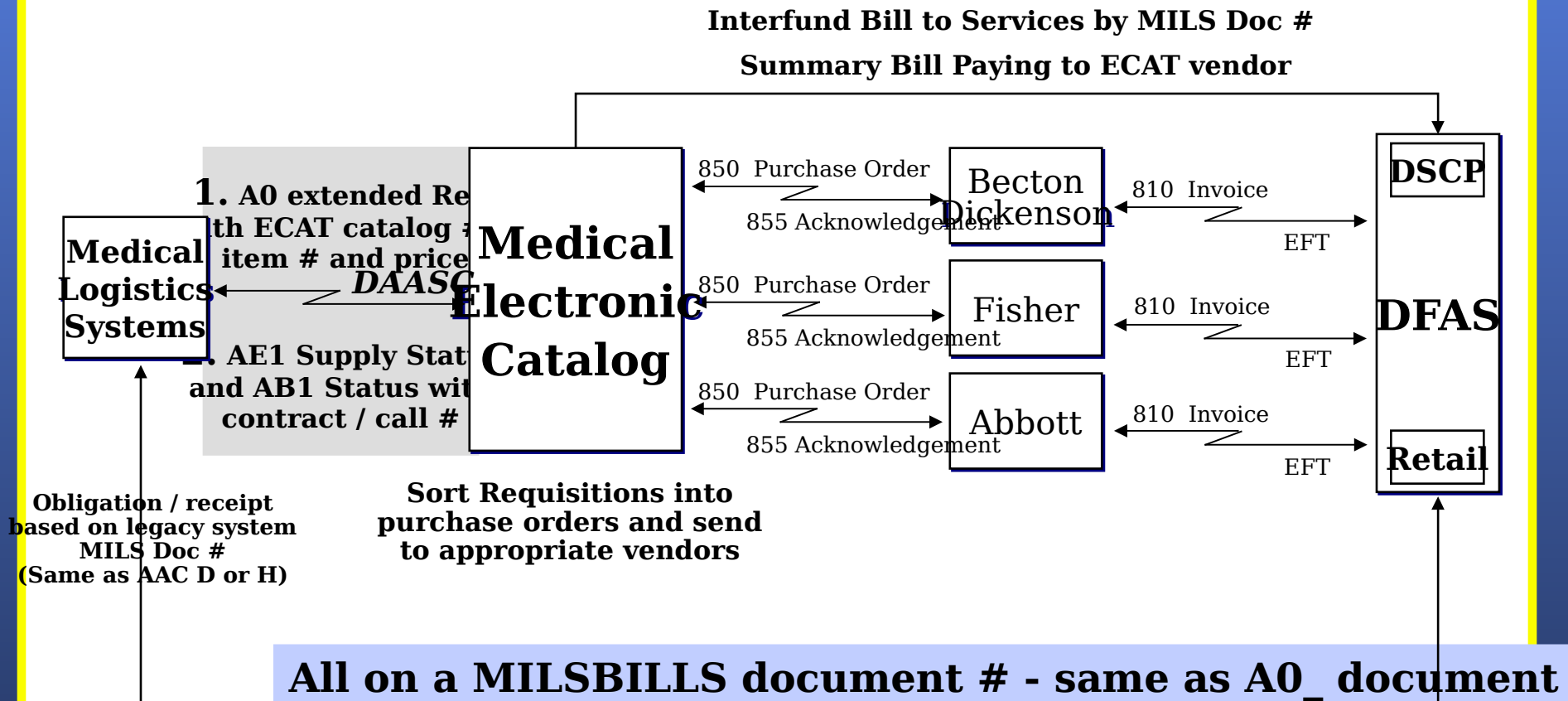
Significant Bill Paying Challenge

Web Requisitioning Not Tied to MILSBILLS Transactions

High Level View

ECAT Interfaces With Service Logistics Legacy Systems

Goal: Totally machine to machine including MILSTRIP bill

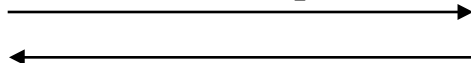


More Detailed ECAT/Service Logistics System Interface

**Medical
Logistics
Systems**

1. Extended A0A Requisition with

- a. ECAT supplier ID
- b. ECAT catalog ID
- c. ECAT item ID
- d. ECAT unit price



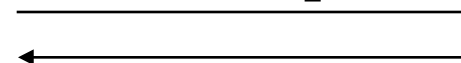
**DAASC
ECAT
Mailbox**

2a. Standard AE1 Supply Status

**2b. AB1 Status with ECAT
Contract # / Call #**



Extended A0_ Orders



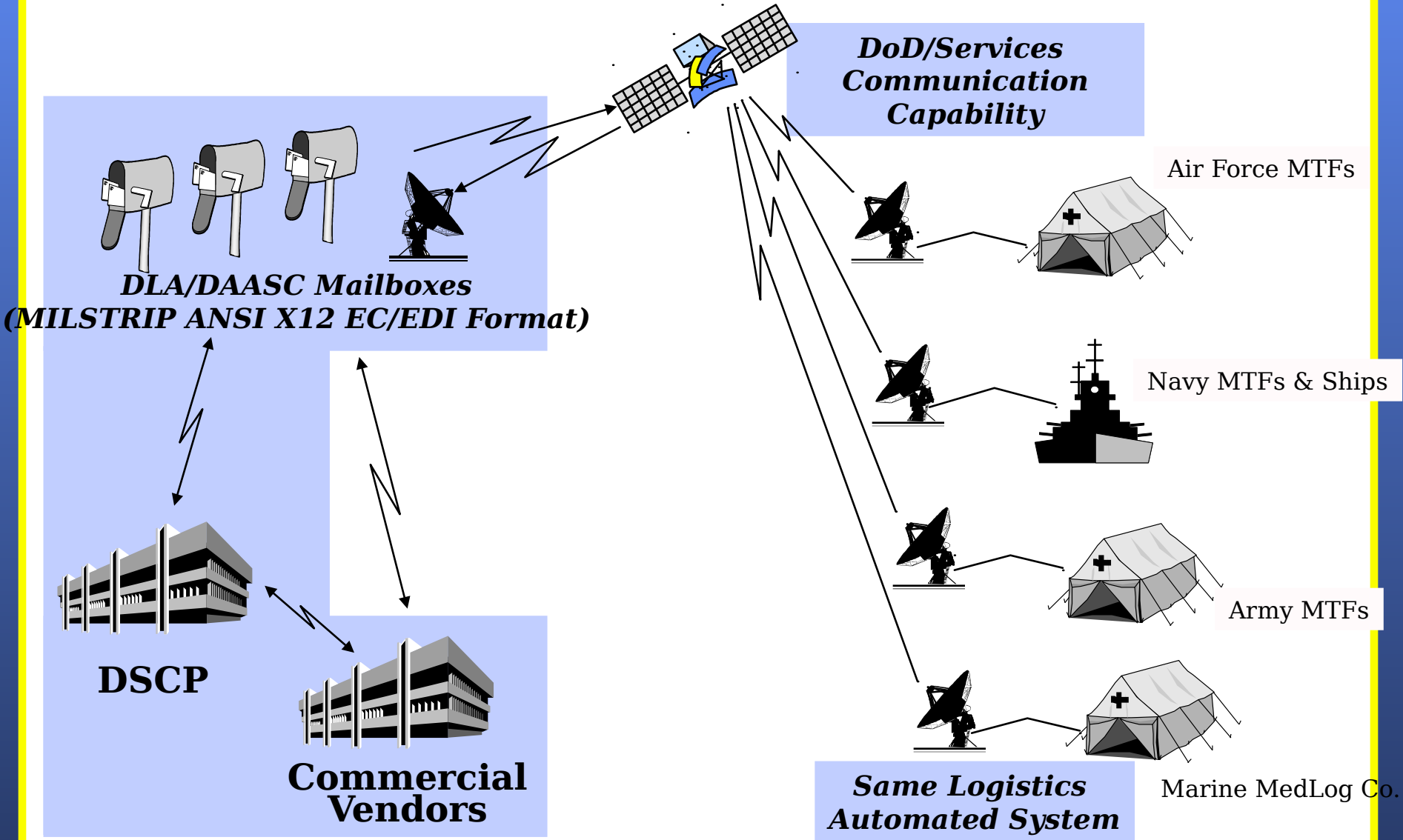
AE1 / AB1



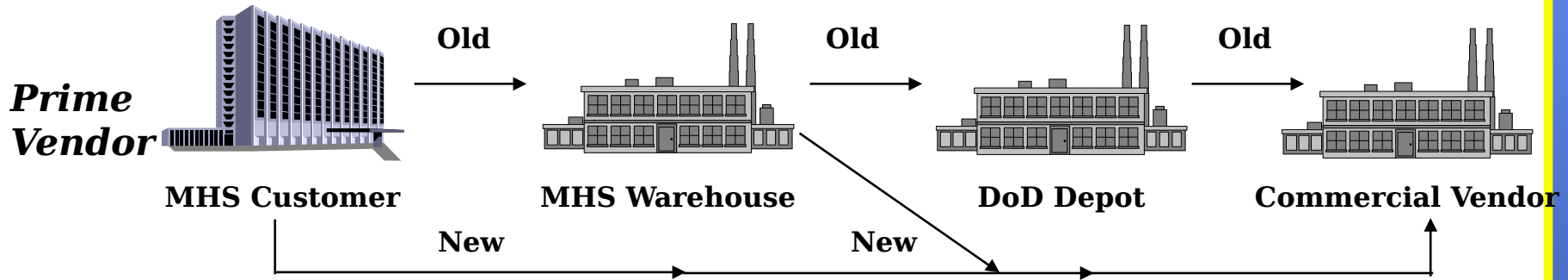
**Medical
Electronic
Catalog**

***Supporting Field Units In
Peace
and War***

Worldwide (Same DoD Communications/Logistics Systems)



DMLSS Reengineering Projects

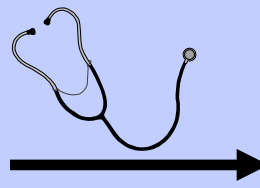


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ECAT **Ordering Through DLA Electronic Catalogs**



Universal Product Number **Item = 100 Numbers**



1 Item = 1

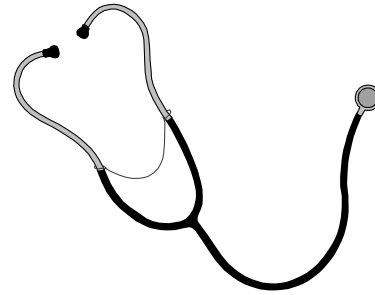


UPN



***Universal Product Number -
Key To Reducing \$11 Billion
Per Year In The Health Care
Supply Chain***

The Problem ...



No UPN

**1 Item =
100+ Different Numbers**

**One for Each
Medical
Distributor**

**... A Product
Nightmare!**

UPN Impact On The Supply Chain (Peace and War)

Surgeon's Glove Size 7.5, 50's

NOW

{ BBMC-Col. #034605375
=

{ Dealer "A"
Reorder #

6515-01-098-5800

{ BBMC-Durr #481142
{ O&M #3460005375

{ J & J Reorder
#5375

J & J P/N 5375

{ Pacific Criticare #JJ-5375
= { United Medical
#UMS0287220

{ Dealer "B"
Reorder #

{ Allegiance #JJ5375
{ Midwest Medical #JJP5375
{ Kreislers #SURG5375

{ Dealer "C"
Reorder #

With UPN's

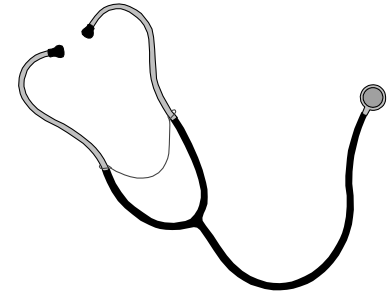
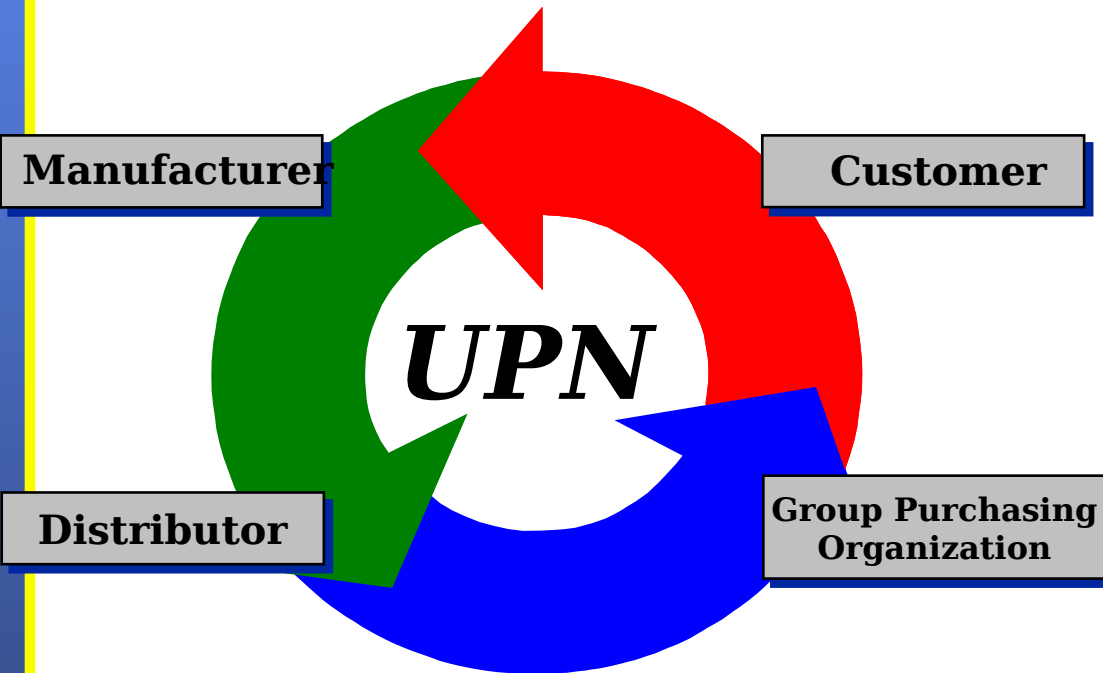
**6515-01-098-5800 = J & J
P/N 5375**



H22253753

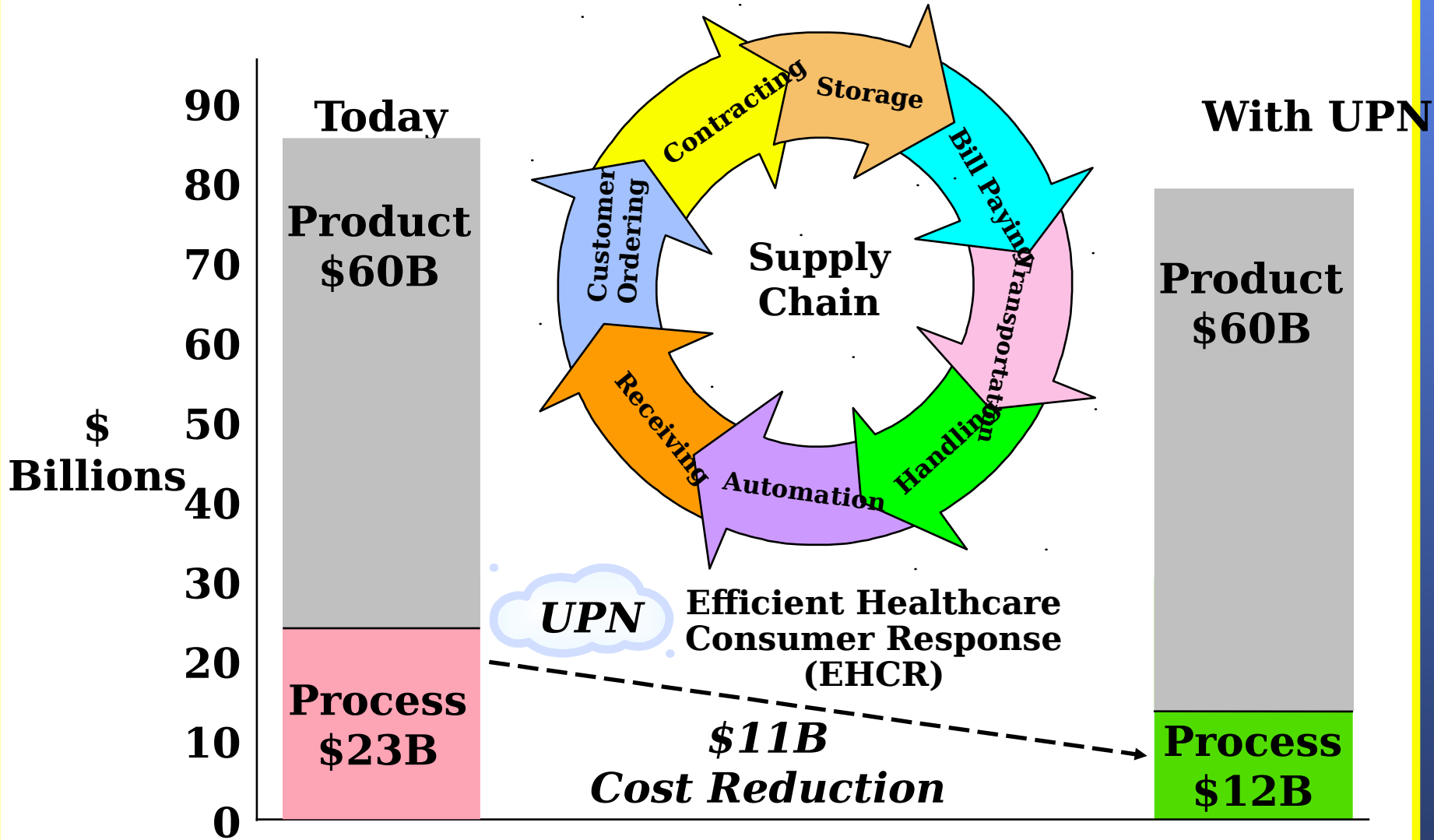
The Solution!

1 Item = 1 Number



- **Manufacturer Picks the Number**
- **Manufacturer Bar-codes Product**
- **The Rest of the Industry Uses the One Number**

UPN - Key to Reducing \$11 Billion Per Year in the Health Care Supply Chain



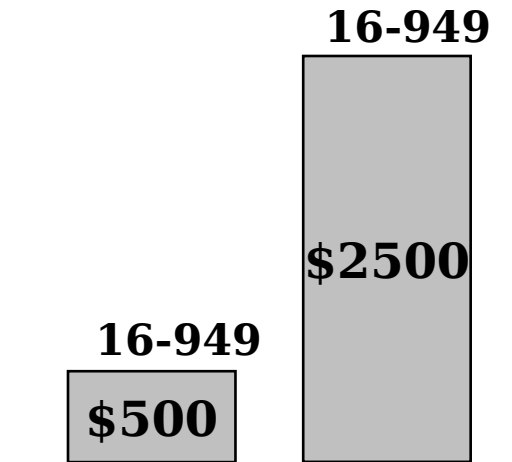
UPN Can Save Medicare \$1 Billion Per Year

Current Situation

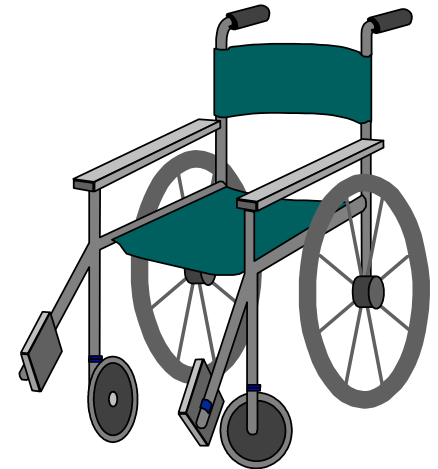
Thousands of Items - Same Billing Code

***Billing Code
HCFA Product
Category Codes
(PCC)***

=



Price Range

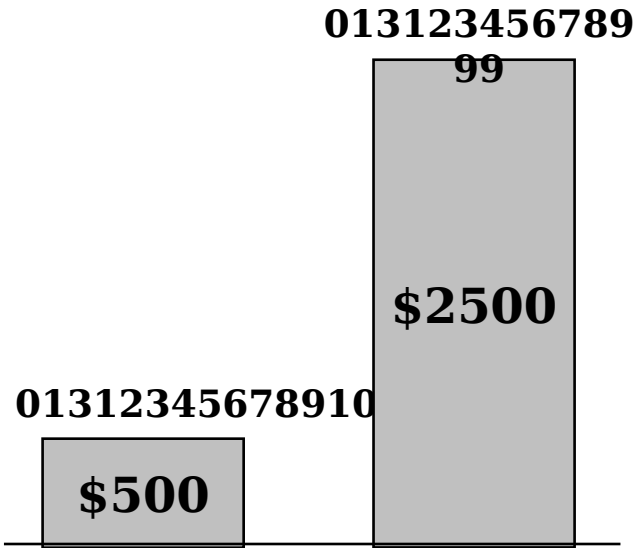


UPN Can Save Medicare \$1 Billion Per Year

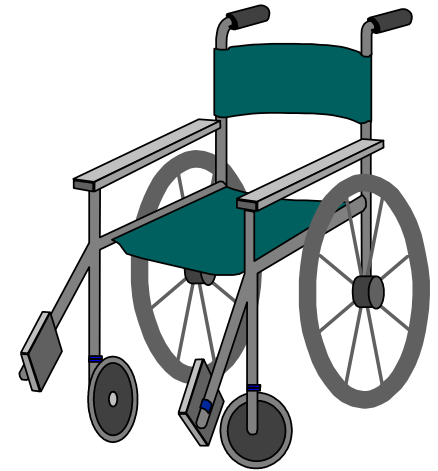
Future

Billing Code
Universal
Product
Number
(UPN)

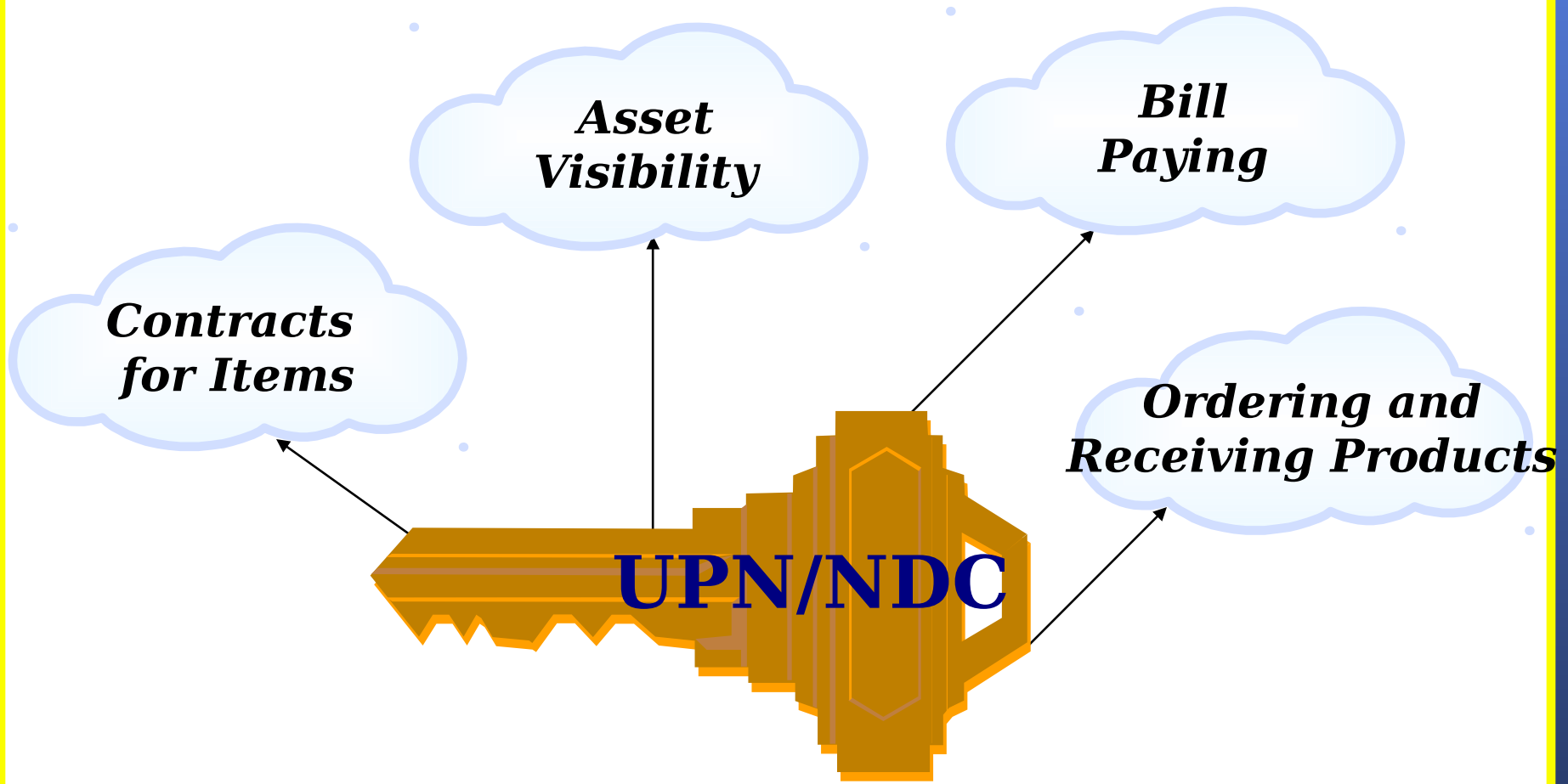
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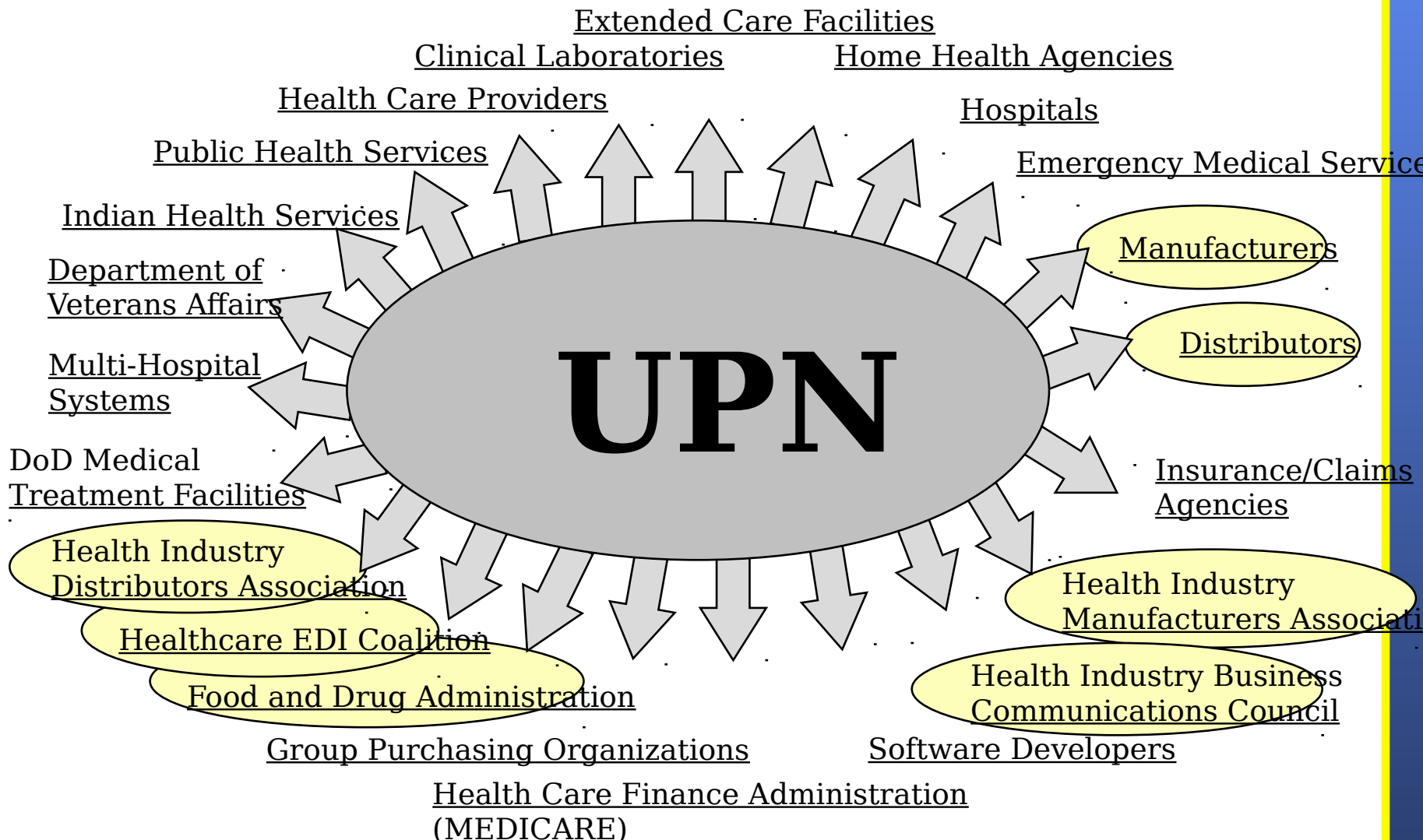
Price Range



UPN Key to Electronic Commerce and Medical Readiness - Partnership With Medical/Surgical Industry

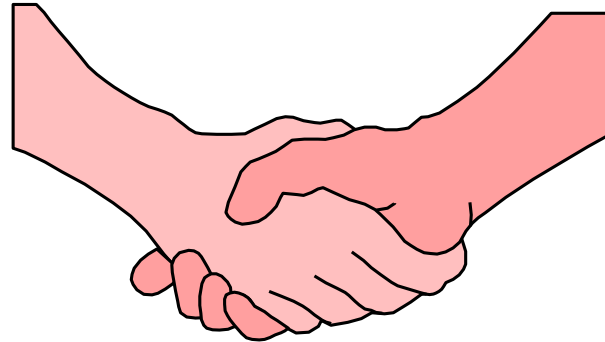


An Industry-Wide Improvement



UPN - AN INDUSTRY INITIATIVE CHAMPIONED BY DO

Briefing Topics



- **DMLSS - DoD's award winning Electronic Business / Electronic Commerce (EB/EC) Program**
- ▢ **The successful DoD EB/EC and DMLSS partnership**
- ▢ **DMLSS a great investment in DoD EB/EC funding**

